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Canada. Office of the Auditor General.
An outsider's view from the inside.

(Discussion paper no. 47)

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Office of the
Auditor General
of Canada



Bureau du
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du Canada

DISCUSSION PAPER No. 47
AN OUTSIDER'S VIEW FROM THE INSIDE

by John Higgins
United Kingdom National Audit Office
August 1984

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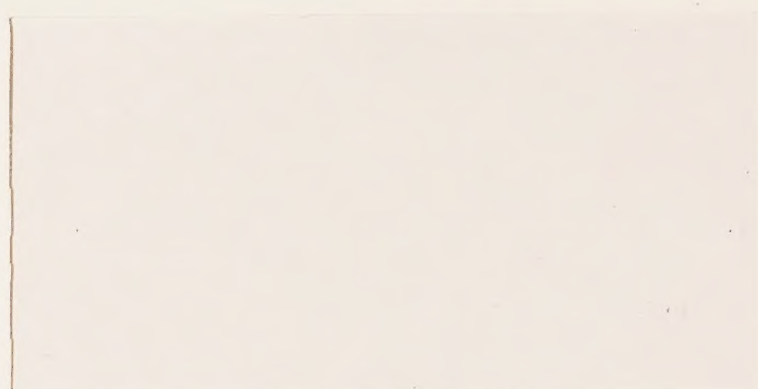
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Introduction


The object of this Discussion Paper is to range across the many issues that I have had dealings with during my one year exchange from the United Kingdom National Audit Office (NAO) to the OAG. My terms of reference - that I should first be involved in planning and other aspects of management and then participate in an audit assignment - were sufficiently broad to allow me to get involved with a good number of the OAG's activities.

Given my 25 year's experience in the National Audit Office, it was inevitable that I would make automatic comparisons between that which was familiar to me and the way of life in the OAG. However I have done my best to keep as open a mind as possible and, in particular, to remember that the OAG operates within the history and traditions of the governmental system of Canada. While there are many similarities to the governmental system in Britain, there are quite a few differences to - notably those deriving from the relationships between the federal and provincial governments.

In this Discussion Paper I have sought to follow a reasonably logical layout beginning with the Auditor General Act, followed by various aspects of planning, organization, management and staffing. The later paragraphs concentrate on the OAG's audit philosophy and processes; a good many of my views in these areas were shaped as a result of my participation in this year's audit of the Department of the Environment. Finally I turn to the external role of the Office vis-à-vis the Public Accounts Committee, federal departments and agencies and in the international sphere. On several issues I found my views had much in common with the thinking that was already emerging in the Office, so I felt myself to be pushing at a number of opening doors.

Mandate

It is not possible to study the Auditor General Act of 1977 without some understanding of how it came to be passed in that particular form. Having



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read Sonja Sinclair's history Cordial but not Cosy and the Wilson Report, I find myself wondering whether the 1977 legislation would have been necessary at all if the Office had been able to develop its value-for-money (VFM) auditing capability without antagonizing some in the administration into claiming that the Auditor General was exceeding what were then his powers under the Financial Administration Act. However, this particular milk was spilled long ago and there does not seem to be much profit in speculating as to what might have been. As it is, the 1977 Act seems on the one hand to give the Office almost unfettered rights to tackle VFM issues but can be read as stopping short of permitting reports on effectiveness issues head-on. This may be because, while efficiency audit can be readily analysed (e.g., Discussion Paper 30), effectiveness audit is not so cut and dried and can take itself close to policy issues. Even so, since effectiveness is generally recognized as being one of the three components of VFM it can be argued that the OAG's mandate falls short of that which a modern state audit body should operate under. The Wilson Committee certainly envisaged the OAG reporting cases of obvious ineffectiveness.

The essence of the argument against allowing full frontal effectiveness audits as a part of the OAG's mandate seems to stem from a fear that such examinations cannot be relied on to distance themselves from policy issues. Such issues are for politicians to defend in Parliament rather than for officials to address at meetings of the Public Accounts Committee and elsewhere. However, on this premise it would presumably be accepted for the OAG to raise effectiveness questions which the Deputy Minister, acting in the accounting officer role put forward by both the Lambert and Wilson Committees, could properly be expected to answer. In practice, each case would need to be most carefully weighted on its merits, and it would very much be a matter for senior OAG management to judge whether the pursuit of a particular effectiveness issue was likely to bring the underlying policy itself into question. Given the potential for attention to the AG Act, the present may not be an opportune time for testing the water in this way. But in the longer term, a number of judicious reports could do much to convince skeptics that the OAG can indeed deal with effectiveness issues without over-stepping the bounds into the political arena.

Apart from reporting effectiveness cases on the grounds that there are questions appropriate for officials to answer, the Auditor General could be justified in regarding such matters as being "of a nature and of a significance" which he thinks should be brought to attention under Section 7(2). The fact that it has been necessary for the OAG to make its own study in Audit Bulletin 84-2 as to how this two-part criterion should be interpreted suggests that it might be simpler for a public sector audit body to be accorded the duty to carry out attest, authority and VFM audits, leaving it as a matter of professional judgement as to how the work is done, what aspects are covered and how the results are reported.

Of course my thoughts in this area are influenced by the relatively straightforward provisions in the United Kingdom National Audit Act of 1983 which, for the first time, gave specific statutory backing to the VFM work undertaken for nearly a century by the National Audit Office. It will be interesting to see how well this and other parts of the Act stand up to the test of time.

By such time the OAG will have come to terms with its own new obligations under the recent Crown corporations legislation. The passage of these revisions to the Financial Administration Act marks a most significant milestone in the campaign to secure better accountability to Parliament on the part of those enterprises dependent on, or guaranteed by, public funds but whose activities may be frustratingly out of the reach of the public. In this area Canada is ahead of the United Kingdom where the lobby against allowing NAO access to nationalized industries continues to prevail. Even so, the campaign is continuing and, if the revised Canadian Act can be made to operate successfully, it could add to the weight of evidence in favour of a similar move in the United Kingdom and elsewhere.

However, it looks as if this new legislation may not be the last word on the AG's mandate in the foreseeable future. First there is Senator Pitfield's campaign against what he sees as the increasingly political nature of the OAG's activities. Whatever the validity of the Senator's concern and his view that the Office is overly confrontational and becoming a General Accounting Office style

body, the fact remains that he is serious about them and may instigate a Senate review of the AG's role and powers. This could lead to some unwelcome amendments to the Office's mandate. A second factor, naturally very speculative at the moment, is related to the OAG's decision to take the Petrofina issue to the courts. Regardless of the validity of the reasons for pursuing this particular matter to these lengths, it is not inconceivable that the government may re-examine the OAG's mandate, certainly as far as access to information is concerned. Finally, the Act may come in for a general review if Parliament responds to the PAC's Fifth Report of 1984-85 recommending that the Act be amended to allow for periodic reporting.

Strategic Planning

Since the first general area in which I was to be involved was planning, it was appropriate that I should have arrived at 240 Sparks Street just at the time when the 1984-85 PRAMS process was about to get under way. Yet I discovered this whole activity was founded on the assumption that audit assignments had already been identified, in that PRAMS was concentrated on allocating the Office's likely resources among the relevant entities. This begged the question as to how the audit assignments were chosen in the first place and how they fitted into the long-term scheme of things. In short, I asked about the OAG's strategic planning arrangements.

I found that, although there were a number of scattered elements, there was no single identifiable process. However, the Office had recently recognized the deficiency and was about to do something about it, both to meet its own need for a concerted procedure and to provide a measure of support for its Part III Estimates, especially the schedule of upcoming audits which it contained. It would be a distinct advantage to be able to show how they fitted into the Office's long-term plan.

Strategic planning is based on the idea that the OAG, like any other audit body, has a regular need for a comprehensive review of its total responsibilities, to rank them in some order of priority and to decide over what

period the work is to be spread. Thus training, administration, etc., are not aspects which need to be considered as primary items in a strategic plan since they are services internal to the Office and are there to respond to the needs of whatever audits are mapped out. A decision to intensify VFM audit in a particular area could have consequences for both staffing and training; it does not make much sense for support service levels to be planned for until the audit strategy has been decided.

Following the Executive Committee's endorsement of a strategic planning framework earlier in the year, I kept in touch as the detailed procedures were worked out. Now that five-year entity plans and possible government-wide studies have been formulated, among which the Executive Committee are to set relative priorities, the Office should be well placed for the Strategic Overview targeted for the end of 1984 and the Environmental Assessment setting out an evaluation of all the main factors relevant to it. Although the concept of strategic planning is straightforward, I know from experience that it takes a good deal of effort to make it work well.

Resource Planning

The OAG's resource planning process, universally known by its PRAMS acronym, struck me - as it had others - as unnecessarily complicated and time consuming. The main reasons were as follows:

1. The process was designed to analyse the OAG's person-hour resources in two quite different ways - by entity and by individual member of staff. Although the computer was able to do this, there were complications as Principals tried to provide the basic data by manning their own entities, maybe with people belonging to other Principals, and by marketing their own home-base staff.
2. The fact that the OAG is, for the most part, operated on the basis that it forms one very large pool of staff such that

Principals may not always resource their audits from their own staff. A large number of audit staff are on the "unassigned" list and there is not always a match between "wanted" and "unassigned" personnel.

3. The PRAMS process required Principals to plan their staff's time, in hours, up to 18 months ahead. This was clearly unrealistic, especially for functional units, since they could scarcely estimate the demand for their services until the mainline audit teams were some way into their projects.
4. There was confusion as to how the system was intended to cope with staff whose time could not be earmarked to entities in advance, such as those in Word Processing. Some were to be allocated direct to audit entities whereas the time of others was appropriate to the relevant "generic" heading. Needless to say, not everyone got it right!

In view of these complications, not to mention the difficulties we had in getting all the relevant documents back on time and in unravelling imbalances between the number of hours earmarked for an entity with the total of the staff hours allocated to it, there was a widespread feeling that something fairly drastic needed to be done to make the whole process simpler and shorter.

Many of the above problems have not been addressed in the new-look arrangements for 1985-86 recently endorsed by the Executive Committee. The main two differences are a welcome reduction in the number of iterations and the discontinuation of the unrealistic requirements to budget staff hours across each month of the year. Furthermore the new system will be applicable to all OAG staff and remove the distinction between operational and "generic" personnel. As a result of the various changes there is expected to be an 80 per cent reduction in PRAMS paperwork.

It would, however, be naive to imagine that the new slim-line PRAMS will function without a hitch. As I see it there are three areas where further considerations may be necessary.

1. First, the new system maintains the distinction between "attest" and "comprehensive" hours. This suggests that attest work forms no part of a comprehensive audit and that the latter term embraces only authority and VFM work. On the assumption that the OAG wishes to retain the concept of the comprehensive audit as spanning all three elements (see section on comprehensive auditing page 12) it would be preferable to show each element separately.
2. The inclusion of a targeted "output" as part of the PRAMS data may end up as an increasingly historical record of intent unless it is linked to a routine for monitoring it against actual achievement.
3. The removal of months from individual officers' Schedule Bs is contingent on proposals for introducing a regular information system, within Audit Operations Branch to begin with, showing staff availability over the following six months. Assuming that the trial is successful, the system will, as intended, need to be extended to the whole Office.

Management Information

After the PRAMS budgets for staff hours, contract dollars and travel costs have been subdivided into audit and supporting projects, a basis exists for comparing achievements with expectation. The data for this is captured from time sheets input to computer files through the Office's TRACS system which also picks up contract and travel costs as vouchers and claims are processed. It is important to realize that the various management reports produced from the TRACS system show how rapidly the OAG's time and dollar resources have been consumed. Since the system does not have any information showing how well - or poorly - the audit and other activities are being performed, it cannot produce management reports that would purport to do so. Thus it remains a matter for individual managers to control the quality of the work directly.

It was with this thought in mind that I attempted, last November, to analyse the utility of the large number of TRACS reports that were being produced at that time. What I found was a good deal of apparent duplication which led a working group with which I was involved to conclude that it ought to be possible to produce a straightforward resource utilization report. Our view was that managers would take notice of such a document, whereas a large proportion of the existing paper merely found its way into the waste paper basket. In short, TRACS reports, and indeed the whole system, were in danger of losing their credibility.

The group came up with a series of resource utilization reports whose details were tailored to the management level to which they were directed. Depending on the volume of detail, we thought it might be possible to get all the information on one side of the paper. Despite this slimming down of the TRACS paperwork, managers would remain free to call for any other reports on the menu, either occasionally or regularly, and to suggest new ones. In this situation there is a danger that TRACS reports could still mushroom - so it would be advisable either to put a time limit on all "specials" pending their positive renewal or, at least, to mount periodic reviews of the need for them.

Organization

I have already referred to the impact which the Office's fluid staffing structure had on the 1984-85 PRAMS process. One of the other consequences of this is that an individual may work for only a small proportion of time for his or her own home-base Principal. Although a person's senior officer for the time being ought to be mindful of the individual's professional development needs, it could be unreasonable to hold a succession of managers responsible for them; equally it can be difficult for the home-base Principal to keep in adequate touch with his staff's progress. Thus the flexible staffing regime can have some unhelpful effects on the individual.

Secondly, the OAG's staffing system has meant that many audit teams exist for only a matter of months; when the audit is completed the team may be

disbanded and the individuals reassigned elsewhere. The dismemberment of teams means that little continuity is built up in the audit of particular departments or agencies. This can have an adverse effect in terms of the learning period required at the outset of each assignment, of the need for the periodic re-establishment of OAG-departmental contracts and of the development of general audit intelligence that could, for example, give early warning of upcoming major developments.

Since these actual or potential disadvantages may offset the gains from a free interplay of ideas to be derived from the more or less continuous rotation of staff, I was attracted to the ideal of establishing core audit teams that would provide a stable and continuous presence - preferably in the offices of the audited body itself. This idea is linked to possible ways in which the comprehensive auditing concept might be modified in future - see page 14. In order to maintain a reasonable but steady flow of new ideas there ought perhaps to be some turnover every year but not to the extent of a major replacement of virtually all personnel at any one time. Moves are already afoot in the Office toward the establishment of core teams; I am sure that they will prove successful.

Another feature of the OAG organization is the prominent part played by the Principal, a kind of junior partner who seems to be responsible, amid much advice, for a great deal: PRAMS and TRACS data; the management of audit projects; the finalization of a substantive annual Report chapter; the development of home-base staff; detailed advice to the Auditor General at PAC; and so on. The corollary to this concentration of functions at the Principal level has been some uncertainty as to the precise responsibilities of Deputy and Assistant Auditors General. I found that this was not just my impression in that the need to clarify the roles of both senior management and Audit Advisory Committees had already been brought out in Discussion Paper 19.

From my perspective I can see that it may be worth reconsidering the need for Advisory Committees at all, having regard to the more sharply defined role for DAGs and AAGs planned in connection with the forthcoming reorganization. In practice, each audit would need to be considered on its merits, with no presumption that an Advisory Committee will be needed every time.

Rather I would suggest that a Committee be established only where it would be the most economical and effective way for the team to secure worthwhile technical advice. At the same time the Committee would, as now, not be expected to exercise any of the review functions proper to senior OAG management. At this point it is worth observing that, although senior staff operate in a collegial style, it is the Auditor General alone, rather than a collective partnership, who is ultimately answerable for the Office's work.

Staffing Aspects

One of the most impressive features of the OAG is the high professional standing of its staff. There are people from a wide variety of academic backgrounds, by no means all of them concerned with accountancy or audit. As a result there is a rich corporate expertise on most audit teams, especially those engaged in VFM investigations. While there could be a danger that non-audit specialists might be drawn into areas of professional, as opposed to audit, interests, this does not seem to happen. On the contrary it seems as if the presence on an audit team of those trained in a relevant specialization provides a plus in terms of the OAG's credibility with the audited body.

Another noteworthy aspect is that many OAG staff, and most of those at the more senior levels, have spent at least some of their earlier careers working in government. As a result they have personal familiarity with the working of the civil service and of the difficulties which can be encountered in running a program. They will also have established a number of personal contacts which might help in keeping them in touch with bureaucratic developments generally.

Although there is an inevitable bias in the staffing of the OAG toward people with public sector experience, it is healthy that the Office should engage staff from the private sector too. There is much to be gained from a cross-fertilization of experience, quite apart from the specific relevance of current commercial audit expertise to the OAG's audits of Crown corporations, now certain to be a growth area.

The other side of this coin is that the Office's corporate memory is relatively short; only about a quarter of the Office's staff have more than eight year's experience in the OAG. This situation militates against the growth of a distinctive tradition. Such a development is also inhibited by the extensive use of consultants on short-term engagements. Even though there has been some diversion of resources from contract to permanent staff, at any one time there may be as many as 300 consultants on the OAG's books. Most are there to supplement the Office resources, especially on attest work; others provide specialist expertise as members of VFM audit teams. As in the case of non-audit permanent staff, they enrich the audit team and enhance its credibility in the eyes of the audited department.

Support Services

Support services can pay for themselves if they release professional staff to do what they have been trained for. As far as the OAG is concerned my view is that 240 Sparks Street is well served in this respect. For example there is the library where I have been a regular customer. Although it was not relevant during my involvement with this year's Environment audit, I understand that the library can serve as a research facility in support of an audit team.

I was also impressed by the Word Processing Unit which I used with increasing frequency in the latter part of my exchange period. However, it seems that one can have too much of a good thing such that the Unit has become at times overloaded and costly in absolute terms. Its great strengths are a facility to provide high quality copy and to update documents without the need for extensive rewriting. But, since the initial transcription into the system is the most expensive stage, it does not make sense simply to treat the Word Processing Unit as a typing pool by another name.

Although I have referred to only two specific supporting services, I developed a similarly high regard for the others, notably the governmental telephone network (after some trial and error!), the efficiency and courtesy of the receptionists (who use their eyes as much as their ears in tracking people in and

out of the Office), the dependability of the messenger service, the knowledgeable secretarial staff and the helpfulness of those in EDP, Personnel, the Comptroller's Group and Contract Administration.

However all these facilities do have a price. Apart from their absolute cost in terms of dollars and staff time, they consume a sizeable proportion of the total OAG resources - some 47 per cent of the Office's total expenditure of \$40 million in 1984-85 is expected to be spent on non-audit projects. Thus it was not altogether surprising, especially as I had been able to watch the emergence of the figures during my time on the PRAMS exercise, that the Executive Committee should have become concerned at the low proportion of direct audit hours forecast for 1984-85. While the "Caesar's wife" approach can be taken too far, so that supporting services are cut to the bone, it is equally necessary for an organization that may criticize wastefulness in others not to lay itself open to such a charge. In this connection it is noteworthy that support staff numbers have remained constant in recent years while there has been growth in other areas.

Comprehensive Auditing

No one who studies federal government auditing, and even public sector auditing generally, in Canada can fail to observe that the term "comprehensive auditing" is strongly pervasive. Although the expression seems to have had its origins in the United States, it is now primarily associated with Canada as a result of the powerful campaign led by previous Auditor General James Macdonell to broaden the whole approach to public sector auditing and to establish a wider thrust as an accepted part of the scene. The creation of the Canadian Comprehensive Auditing Foundation was a major step toward this objective. --

However, the comprehensive auditing concept simply brought together under one banner the three elements of public sector auditing that already existed - attest, authority and value-for-money. To demonstrate their interdependence the OAG set out in 1977 on a program to conduct a comprehensive audit in each

department or agency at some time over the following five years. To do this it was necessary to form sizeable audit teams and to embark on a series of investigations that could last for up to two years. The result in most cases was a chapter in the Auditor General's annual Report which because of its length and complexity, ran the risk of not securing adequate attention on the part of the Public Accounts Committee.

Thus it is not surprising that the Office should have taken a close look at the problems stemming from large-scale comprehensive audits (Discussion Paper 19). At the time of writing this Discussion Paper, some of the issues raised in the review of comprehensive auditing are still being addressed; these include problems in defining comprehensive auditing itself; difficulties in planning and managing large-scale studies, and ways to formulate effective reports.

In order to cope with these and other problems, the Office needs to find a way of reducing the audit task to a manageable size. To begin with I would suggest that, while comprehensive auditing can be kept intact as a concept, its three constituents could be dealt with separately. Thus the public accounts audit needs to be performed every year as does work to examine whether transactions conform to the various aspects of authority; in practice these two elements can be undertaken together.

The value-for-money component is the variable item in the set. Hitherto this part of the audit has been carried out in close conjunction with the attest and authority components, but this need not be the only approach. Thus there would be less severe peaks of work if the VFM element were spread out more evenly, as is already happening in some parts of the OAG. For example, this year's Environment audit was the second stage in a program whose aim is to carry out VFM studies of all main parts of that disparate department while performing Public Accounts work annually. A similar approach has been adopted for Transport Canada where the VFM examinations are being concentrated, a year at a time, on each of the department's main programs.

Although this may not be the most apt approach in every case, the idea certainly seems worth pursuing more widely. Such an approach would, of course, fit well with the concept of permanent core teams since, although each new VFM audit would involve a degree of familiarization, the staff could be expected to start off from a much higher base of general knowledge about the department's activities. In any one year there may in consequence be a larger number of somewhat smaller scale but nevertheless worthwhile VFM studies in progress across the Office generally. These could generate reports of a more manageable size but in greater quantities. This has implications for the OAG's reporting arrangements, dealt with on page 17.

Audit Approach and Methodology

One of the points made in the Discussion Paper reviewing the evolution of comprehensive auditing was the need to support conclusions in audit reports with illustrative cases where possible. It suggested that over the years there might have been an over-emphasis on the review and evaluation of systems of control. The inference was that the results of examinations carried out on these lines tended to produce reports that were strong on theory but gave little insight into practical realities. It has to be said at once of course that this bias toward systems-based auditing was by no means unique to Canada. To a considerable degree it has been fostered by the need, felt around the world, to get to grips in particular with the rapid growth in computer-based accounting and financial control systems.

The systems-based approach is in clear contrast with an audit approach geared to the examination of specific cases. Which of these two main approaches should be preferred? In considering this question it is necessary to reflect on two aspects - the needs of those for whom the audit findings are intended and the requirements to have carried out an efficiency and professionally defensible examination.

As far as the first aspect is concerned, there seems to be little doubt that Parliamentarians, not to mention the media, take a much greater interest in

individual cases that in systems evaluations. In order to best serve the needs of Parliamentarians, especially those on the Public Accounts Committee, the OAG therefore needs to be able to illustrate the issues to which it is drawing attention. Where the audit has been carried out on systems-based lines, the resulting report is likely to be more effective if any weaknesses can be illustrated with particular examples. On the other hand, if the audit has concentrated on actual results in the first place there will be a need to consider the extent to which individual items indicate a substantive general principle. If they point only to isolated lapses there may not be a very strong case for bringing them to public notice.

Given the choice of audit approach, an OAG examination proceeds through a general overview, a more pointed survey report, a main execution period and a reporting phase. If the Office were to establish more permanent core teams there ought to be some payback in terms of the more ready production of overview and survey reports; at present these documents seem quite time consuming to produce. Nevertheless there would be no question of cutting out these stages altogether since they provide convenient decision points for managers in determining the audit approach, scope, staffing and so on.

One particular feature of the OAG value-for-money examinations is the development in advance of criteria against which success or failure would be judged. These criteria, though sometimes rather general, do much to focus the mind on the key elements and, in consultation with the audit organization, provide a good basis for working up an audit program.

During the audit of Environment Canada we adopted a rather novel approach, which may be of benefit to others in future, in the audit of inland waters research program; so I cannot speak from very much personal experience as to the utility of the Office's existing methodological material. Even so I did read the Comprehensive Auditing Manual in order to tune myself into the OAG's general philosophy but found the exercise rather hard going in places. It is not surprising, therefore, that a wholesale revision of the Manual should be in hand. Although this work has still some way to go, the framework, as so far established, looks to be what one would expect from what is intended to be a practitioner's aid

rather than a theoretical text. In particular, the division of comprehensive auditing into its main components, with VFM audit guidance to be contained in a separate handbook, looks to be a step in the right direction.

Relations with Audited Bodies

An uncooperative attitude on the part of the audited body can make life difficult. Conversely an open and helpful approach can do a great deal to engender a really worthwhile exercise, even if the eventual results may not be all that palatable to the department or agency concerned. Like any other auditor, the OAG needs to make the first move by adopting a policy of open diplomacy with those on the other side of the table. This begins when tentative audit plans are presented to departmental managers and continues as audit criteria are hammered out and as findings and conclusions are formulated.

Such was the approach during the Environment audit; managers, both in the field and at headquarters, responded by giving freely of their time to comment on our plans. While we did not always see eye to eye with some of them over all our findings, the ADM was fully in accord with our conclusions. There was no hint of the confrontation to which Senator Pitfield has alluded.

The person-to-person discussions are complemented by the clearance of audit project reports and of draft chapters. Since both documents include the OAG's conclusions and recommendations, they draw out the audited body's views on the urgent issues. However, the Office may wish to consider whether it might not be more effective to solicit these views even more directly by putting leading questions when clearing project reports. I have to confess that this is the usual practice of the National Audit Office, which paraphrases the responses in its reports, also cleared with departments.

While I am referring to United Kingdom practice it may be worth mentioning a recent development under which senior NAO staff hold periodic meetings with groups of departmental senior financial officers. These meetings deal with issues of general concern to departments arising out of the activities of

the National Audit Office, such as the conduct of effectiveness audits and the use of audit reports by parliamentary committees other than the PAC. Such meetings could be worthwhile in Ottawa too and serve as one of the ways in which DAGs could operate as high-level ambassadors for the Office.

Post Audit Quality Review

It is my understanding that many commercial accountancy firms operate a fairly rigorous form of internal review as to the validity of their audit findings, the application of professional standards and compliance with their own policies. Yet this practice is less commonly found in public sector audit bodies, with the Office of Internal Review, established some years ago by the General Accounting Office being among the exceptions. Thus, the OAG's Post Audit Quality Review capability is, to some extent, striking out into new areas.

The degree of the success achieved by this review may help others decide whether to establish such a facility and, if they do, to decide what its mandate should be. In the main there seem to be two levels at which it could operate: purely as an objective check on the application of methodologies laid down by the Office or, with an additional post-event (or even current) review of the soundness of the professional judgements reached on particular assignments. A possible objective to the latter approach is that it brings an element of second-guessing into what may have been a subjective decision reached by the manager at the time.

Reporting Arrangements

The Auditor General Act does not require the OAG to make recommendations in the annual Report - one of the reasons for suggesting that the practice be abandoned. Some have also suggested that the existence of recommendations imposes an obligation on the Office - which can be troublesome to discharge - to follow them up. In addition to these reasons I would suggest that leaving recommendations out of the OAG report would leave the way clear for the PAC to make them with greater impact. This could be one way of boosting the effectiveness of the PAC, an aspect discussed further below.

Save for results that are insignificant or confidential, it is the general practice of the OAG to report the results of nearly all its audits. The implication is that the Office judges each such item to be a matter of significance under Section 7 of the Auditor General Act.

However, since this judgement is one that the OAG is entitled to make on its own account, it could adopt an alternative approach. For example, it could seek to alleviate some of the problems which have arisen through the practice of collecting miscellaneous wrongdoings in the audit notes chapter. The experience of recent years is that parliamentarians, possibly influenced by the style of media reporting on audit note issues, have come to concentrate their attention on what seem to be scandalous "horror stories" at the expense of what may well be more serious issues elsewhere in the Report. In this way some of the AG's Report may not come properly to the attention of those to whom it is directed.

In much the same way department or agency-related chapters which deal with a large number of issues may not commend themselves as fully to the PAC as they might. It would be consistent with the aim of working for shorter chapters if the OAG were to move toward a more selective reporting policy. For instance, it may be worth confining the report to those issue where departmental responses to audit project reports are materially unsatisfactory; matters that are being satisfactorily addressed need not therefore be brought to public attention. This might provide a telling incentive for departments to respond constructively to OAG findings if they were to realize that the PAC would really home in on areas where departments were drafting their feet. Even so, there would still be instances where a story was too big to ignore, despite vigorous remedial measures, or where a good aspect of management was worth making public.

Regardless of whether the OAG were to adopt a more selective reporting philosophy, its work could be more effective by being more timely if the Office were able to report on a subject as soon as it was ready to do so. Such was the recommendation of the PAC in its Fifth Report of Session 1984-85. However it seems to be an open question at the moment as to whether there will be any change in the Auditor General Act; as suggested in paragraph 9 it is conceivable

that anything which promotes a review of the Act could lead to legislative changes in other areas as well as the OAG's reporting arrangements.

Public Accounts Committee

The Public Accounts Committee stands at the apex of the accountability process. In Discussion Paper 24 I made a number of comparisons between the working of the PACs in Ottawa and Westminster. The general tenor of the paper was that the United Kingdom Committee was more effective than its federal counterpart in Canada. These were two main reasons for this: first, the Canadian PAC does not enjoy a particularly high status within the parliamentary system; second, the Committee's briefing could be strengthened to help focus attention on investigating, and subsequently reporting on, the main issues in a possible lengthy OAG report.

While there may not be much that the OAG can do to raise the standing of the PAC in the political system, it may be possible to develop some tightening in the briefing arrangements. If the latter were to concentrate PAC investigations on the most important topics - and, perhaps by selective reporting, avoid the allure of the "horror stories" - some significant PAC reports could emerge and, in time, do good things for the status of the Committee. Just what changes in the briefing system would be needed to prompt such developments is hard to say. The starting point will need to be a consultation with the chairman of the new Committee. If I could have one wish granted that would benefit the accountability process in Canada, it would be the creation of a strong PAC.

Public Profile

Partly as a reflection of the North American tradition that those in public life, whether professional politicians or not, do not shrink from dealing fairly openly with the media, the Auditor General of Canada has come to have a high public profile: his annual Report generates a good deal of press coverage and there are periodic interviews on radio and TV. The rationale for this approach is that it helps to make accountability from the executive to the Canadian public all

the more real. It is also true, as Senator Pitfield has said, that the press is usually well disposed toward the Auditor General since he provides them with authoritative material that can embarrass the government. Thus the OAG can sometimes be seen as operating in relation to politicians rather than to the civil service who manage programs. This orientation in both OAG and PAC reports tends to suggest that the OAG is addressing government ministers rather than those officials who operate the bureaucratic machine. It would, I think, be worth examining the implications of this, since it implies that the OAG is a countervailing force not only against civil servants but against politicians too.

By attracting a good deal of public attention to his Report the Auditor General can be said to be upstaging the PAC and masking the fact that Parliament is the OAG's client. This could be another factor to be considered in finding ways to improve the impact of the Committee's work. This aspect is also linked to the OAG's reporting philosophy which, as suggested above, could be directed toward reporting only those items in relation to which the PAC could play a positive role.

Despite this cautionary note, however, I am convinced that state audit bodies need to have a capability for dealing effectively with the media. It will be a matter of policy for each organization to decide whether the approach is to be active, with the production of regular press releases, or merely passive, indicating a willingness to respond to media enquiries but not otherwise taking the initiative.

International Role

By way of an extension to its positive public stance within Canada the OAG also plays an active international role. Apart from its responsibility for the audit of some U.N. agencies, the OAG plays a strong part in developing public sector auditing in other countries, notably through the imaginative CCAF Fellowship program. This developmental theme also runs through the OAG's other activities, such as its involvement with INTOSAI and its participation in the China training program. Finally, the joint Canadian/U.S. project on government financial reporting is blazing a trail that could have considerable repercussions elsewhere.

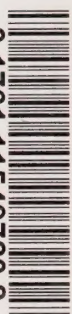
From having seen (and having part of!) the OAG's international activities, I am coming to the view that yet more could be done in this field. Although I have certainly not thought it through in any detail, there may be scope for an up-to-date international comparison of public sector auditing arrangements. On the face of it such an exercise would be almost limitless in its scope but a start might be made with the Commonwealth countries. Another exercise might entail a comparison of the weight of scrutiny - that is, audit in its widest sense - to which both private and public sector business units are subject in various part of the world. This could include an evaluation of such aspects as, on the public side, the effectiveness of parliamentary questioning and, on the private side, the impact of competition.

Conclusion

While exchange officers and their parent organizations gain considerably from seeing the operations of another at close range, there should also be a benefit to the receiving body through an outsider's perception of its work. It is therefore my hope that this Discussion Paper may make a useful contribution to the many issues currently being debated in the Office.

In the meantime I offer a most sincere appreciation of the gracious and friendly helpfulness of those very many people in the OAG with whom I came into contact during my time in Canada, whether briefly or for longer periods. They all played a part in making my exchange a memorable experience in countless ways.

At 14-9-88



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